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China's Foreign Policy

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Opposition to Soviet expansionism is the keystone of China's strategic policies. In the 1970s, China turned to the West and particularly the United States to help neutralize this threat. After a period of strain in Sino-US relations, we believe Beijing is now showing renewed interest in broadening security cooperation. In our view, this "tilt" toward the West is likely to be reinforced over the coming decade by economic factors--especially China's need for increased foreign trade, investment and technology that only Japan, Western Europe and the United States can provide. The need for Western technical assistance will be most acute in the energy field. Close ties with the Third World also have taken on greater importance for China as it pursues a more "independent" foreign policy. Criticism of US as well as Soviet policies toward the Third World, in fact, has become a staple of Chinese propaganda and probably will remain an irritant in our bilateral relations.

Countering the Soviet threat remains paramount for China. After Sino-US relations were normalized in 1979, China became a strong advocate of Sino-US-Japanese security cooperation against the Soviet Union. As Sino-US relations began to sour over the Taiwan problem, however, the Chinese decided to talk less about security cooperation, to stress China's "independence," and finally to resume consultative talks with the Soviets last October.

With Moscow facing mounting domestic and foreign problems (Poland, Afghanistan) the Chinese may have thought they saw an opportunity to gain concessions from the Soviets on issues vital to China's security (Vietnam, Soviet forces in Mongolia, etc.) in exchange for improved bilateral relations. But we believe the

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their main aim in resuming the talks was--and continues to be--to remind the United States that they have a Soviet card to play if the United States takes China for granted. In addition, the Chinese probably saw a chance to:

- Reduce Sino-Soviet tensions along their mutual border.
- Exploit improved atmospherics with Moscow to gain more diplomatic flexibility worldwide than their previous intransigent posture toward the Soviet Union allowed.

By last spring, we believe the Chinese had concluded that prolonging their attempts to gain leverage with the United States could actually leave China in a weaker, more isolated position. In our view, a number of factors influenced the Chinese decision to signal a renewed interest in a strategic dialogue with Washington:

- Beijing's perception that the United States had downgraded China and elevated Japan in its strategic calculations with the consequent risk that Japan might eventually emerge strategically preeminent in Asia.
- A recognition that by continuing to distance itself from the United States, China risked undercutting its own efforts to drum up opposition to the Soviets and reducing its leverage on regional security issues.
- A concern that Moscow might try to squeeze China to acknowledge its strategic gains in Asia, calculating that strains in Sino-US relations had left China more vulnerable to Soviet pressure.
- A concern that a prolonged period of deterioration in Sino-US relations would make it difficult to restore confidence.

Chinese leaders doubtless still harbor doubts about US policy objectives. We expect them, therefore, to try to determine what weight the United States assigns China in its strategic calculations and how prepared the United States is to help China counter Soviet military threats. Indeed, we suspect their recent decision to raise the possibility of purchasing F100 aircraft engines may be such a probe.

Economic Imperatives

China's interests in closer relations with the United States are likely to be reinforced over the rest of this decade by increasingly important economic considerations. Indeed, if the Chinese are to prevent capital productivity from stagnating and to promote healthy economic growth, they will have to expand their export markets, increase their industrial and infrastructure imports and obtain access to more advanced Western

technology. We believe the Chinese are counting heavily on increasing their share of the US market for their exports and will also look to the United States to help fill their needs for improved transportation, electronics, mining technologies and grain.

The Chinese may need Western help more than they currently anticipate--especially in the energy field. We estimate that China's energy shortage will become more acute after 1985 when its oil production starts to decline. As this becomes increasingly evident to Chinese economic planners, we expect the Chinese to seek greater Western involvement in developing their energy resources, especially offshore oil. US firms, which are world leaders in offshore drilling as well as surface mining, will be in a strong position to expand their role.

This dependence may work to moderate Beijing's political dealings with Washington--as long as the United States does not take steps that the Chinese perceive as a trend toward strengthened US defense or political ties with Taiwan. In that case, we believe the Chinese would turn elsewhere for markets and technology and accept the attending economic and political costs.

The Third World

In keeping with their new "independent foreign policy" posture, the Chinese have placed--at least rhetorically--greater stress on close political ties with the Third World. As a result they have sought to align themselves more closely with the regional consensus on key issues and in many cases have become increasingly critical of US policies. In our view, they have done so because they believe:

- Their previous staunchly anti-Soviet line was alienating old friends in the Third World, who did not want to become involved in the Sino-Soviet quarrel.
- China was becoming too closely associated with unpopular US policies, e.g. support for Israel;
- US regional policies were having the opposite of their intended effect by offering the Soviets opportunities to increase their influence.

Even if closer strategic cooperation does develop between the United States and China, we expect Beijing to continue to criticize US policies whenever it serves China's political interests in enhancing its position and influence in the Third World.



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